

Message Text

CONFIDENTIAL

PAGE 01 MOSCOW 18504 241431Z
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 EB-08 FRB-03 INR-07
NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-05 CEA-01
/081 W

-----010675 241435Z /47

R 241140Z DEC 77
FM AMEMBASSY MOSCOW
TO SECSTATE WASHDC 6001
INFO AMEMBASSY WARSAW
AMEMBASSY BELGRADE
AMEEMBASSY BERLIN
USMISSION BERLIN
AMEMBASSY BONN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMCONSUL FRANKFURT
AMEMBASSY LONDON
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
USMISSION USNATO
AMEMBASSY VIENNA
USDOC WASHDC

C O N F I D E N T I A L MOSCOW 18504

E.O. 11652: GDS
TAGS: EFIN, EEWT, UR, GW
SUBJ: DEUTSCHE BANK/LLOYDS LOAN TO SOVIET FOREIGN TRADE BANK

REF: (A) WARSAW 9294; (B) FRANKFURT 9616 (ALL NOTAL)

1. WE CONCUR WITH VIEW EXPRESSED BY EMBASSY
WARSAW'S SOURCE THAT SOVIET FOREIGN TRADE BANK (VTB)
DID NOT URGENTLY NEED MONEY, PARTICULARLY SINCE TO
OUR KNOWLEDGE SOVIET FOREIGN CURRENCY BALANCE HAS NOT
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MOSCOW 18504 241431Z

DETERIORATED MARKEDLY IN RECENT MONTHS. CERTAINLY A
MAJOR GOAL OF SOVIET FINANCIAL POLICY WAS ALSO TO
BRING DOWN THE INTEREST RATE, ALTHOUGH THE VERY LOW
RATE OBTAINED FROM DEUTSCHE BANK AND LLOYDS COULD NOT
HAVE BEEN SECURED WITHOUT FAVORABLE DEVELOPMENTS ON
THE EURODOLLAR MARKET AND ESPECIALLY WHAT APPEARS TO
US HERE AS THE STRONG THRUST OF GERMAN BANKS TO LEND

TO THE USSR AT NOMINALLY LOW RATES.

2. NEVERTHELESS, WE DO BELIEVE THAT THE USSR DOES NEED THE MONEY, THOUGH NOT URGENTLY. REPORTED SOVIET WILLINGNESS TO ACCEPT 7/8 OVER LIBOR (REF B) SUPPORTS THIS ASSUMPTION. WE ALSO BELIEVE THAT THE DETERMINATION BY SOVIET BANKERS TO GET A NOMINALLY LOW INTEREST RATE WAS INFLUENCED BY PRESTIGE GROUNDS, NOTABLY TO DEMONSTRATE THAT THE SOVIET UNION IS THE BEST CREDIT RISK OF ALL. (WE DO NOT BELIEVE THE SOVIETS WOULD MIND IF OTHER EE COUNTRIES GOT THE SAME RATE IN THE WAKE OF THE PATHBREAKING SOVIET SUCCESS.) DURING DISCUSSION DEC 22, CITIBANK REPRESENTATIVE IN MOSCOW, RELATED GIST OF CONVERSATION AT RECENT SRI CONFERENCE IN VIENNA BETWEEN VTB CHAIRMAN YURIY IVANOV AND VIENNA CITIBANK REP. IVANOV REPORTEDLY MENTIONED THAT USSR WAS SHOPPING FOR LOW INTEREST LOAN WHICH HE THOUGHT CERTAIN ARDENT SUITORS WOULD BE WILLING TO PROVIDE. LATER, SAID IVANOV, VTB WOULD SEEK A LARGER SUM IN WHICH MAJOR BANKS (READ CITIBANK AMONG OTHERS) WOULD BE ABLE TO JOIN, I.E., AT WHAT CITIBANK UNDERSTOOD TO MEAN A MUTUALLY ACCEPTABLE RATE. ALTHOUGH CITIBANK DID NOT KNOW AT THAT TIME ABOUT DEUTSCHE BANK LOAN, IT NOW ASSUMES THAT WAS LOAN TO WHICH IVANOV HAD REFERENCE. MOSCOW REPRESENTATIVE ALSO STATES THAT VTB MENTIONED COVILY CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MOSCOW 18504 241431Z

THE POSSIBILITY OF CITIBANK OFFERING CREDIT AT LESS THAN ONE PERCENT ABOVE LIBOR, BUT SINCE THIS WAS CLEARLY UNACCEPTABLE TO CITIBANK, IT WAS NOT REGARDED BY EITHER PARTY AS A SERIOUS PROPOSAL.

3. COMMENT: WHILE WE ARE OBLIGED TO SPECULATE ABOUT VTB'S INTENTIONS, WE WOULD NOT PRECLUDE THEIR RETURNING TO THE MARKET FOR ADDITIONAL FUNDS AT SOME POINT IN 1978. IT IS POSSIBLE THAT SOVIET DEBT SCHEDULE WILL REQUIRE SUBSTANTIAL REPAYMENTS. WE ALSO NOTE THAT CONTINUATION OF RESTRICTIVE IMPORT POLICY TOWARDS THE WEST COULD ENDANGER ATTAINMENT OF SOVIET FIVE YEAR PLAN GOALS. HENCE THEY MAY HAVE TAKEN ADVANTAGE OF HIGH LIQUIDITY ON INTERNATIONAL MARKET TO PREPARE FOR FUTURE PAYMENTS OR PURCHASES, WHILE AT SAME TIME ACHIEVING PRESTIGE AND PATHBREAKING OBJECTIVES NOTED ABOVE AND BY WARSAW'S SOURCE. HOWEVER, ONCE HAVING TASTED BLOOD, WE TEND TO DISCOUNT THE INFERENCE APPARENTLY DRAWN BY CITIBANK FROM IVANOV'S STATEMENT THAT VTB MIGHT BE WILLING TO PAY A HIGHER INTEREST RATE IN THE FUTURE. WE THINK THE LATEST LOAN WILL BOLSTER

THE SELF-CONFIDENCE OF SOVIET BANKERS AND PLANNERS,
WITHOUT NECESSARILY DMINISHING THEIR SENSITIVITY ON
THE ISSUE OF DEBTS AND INTEREST RATES. ILLUSTRATIVE
OF THIS WAS A CONVERSATION WE HAD DEC 22 WITH
THE CHIEF OF THE FOREIGN TRADE DEPARTMENT OF THE
STATE PLANNING COMMITTEE, BOBROV (SEPTTEL), WHO-
WITHOUT THE SUBJECT OF FOREIGN DEBTS HAVING BEEN
RAISED - TOOK OUT A PENCIL, SKETCHED THE OIL AND
GAS PRODUCTION FIGURES FOR THE USSR AND INQUIRED
HOW ONE COULD BE CONCERNED ABOUT "A BILLION" IN
SOVIET DEBTS.
TOON

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE, BANK LOANS, BANKS, LOANS, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Sent Date: 24-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977MOSCOW18504
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770481-0338
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771219/aaaaaoyr.tel
Line Count: 127
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f66e0efd-c188-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 WARSAW 9294, 78 FRANKFURT 9616
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 132131
Secure: OPEN
Status: NATIVE
Subject: DEUTSCHE BANK/LLOYDS LOAN TO SOVIET FOREIGN TRADE BANK
TAGS: EFIN, EEWT, UR, GE
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/f66e0efd-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009